



**SULLIVAN COUNTY, MISSOURI  
TWO YEARS ENDED DECEMBER 31, 2002**

**From The Office Of State Auditor  
Claire McCaskill**

**Report No. 2003-97  
September 29, 2003  
[www.auditor.state.mo.us](http://www.auditor.state.mo.us)**

# AUDIT REPORT



Office Of The  
State Auditor Of Missouri  
Claire McCaskill

September 2003

**IMPORTANT:** The Missouri State Auditor is required by Missouri law to conduct audits only once every four years in counties, like Sullivan, which do not have a county auditor. However, to assist such counties in meeting federal audit requirements, the State Auditor will also provide a financial and compliance audit of various county operating funds every two years. This voluntary service to Missouri counties can only be provided when state auditing resources are available and it does not interfere with the State Auditor's constitutional responsibility of auditing state government.

Once every four years, the State Auditor's statutory audit will cover additional areas of county operations, as well as the elected county officials, as required by Missouri's Constitution.

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This audit of Sullivan County included additional areas of county operations, as well as the elected county officials. The following concerns were noted as part of the audit:

- Inadequate board oversight and a lack of controls and procedures surrounding the 911 Board's accounting system have allowed a misappropriation of funds to go undetected. Nineteen checks totaling \$3,448 for interest earned on the board's certificate of deposit were not deposited into the board's bank account and were apparently cashed by the former 911 coordinator. Additional receipts were also not properly recorded and deposited.

Payments to various vendors were not made on a timely basis. In addition, the 911 Board's procedures for approving disbursements did not require documentation (invoices) be provided by the 911 coordinator to support the amounts being paid. Also, inventory records were not maintained to account for maps purchased, sold, or given away, and the board's financial statements were not published.

- The county's General Revenue Fund is in poor financial condition. The cash balance of the General Revenue Fund decreased from \$262,881 on December 31, 1997 to \$53,677 at December 31, 2002. The county's 2003 budget reflected a projected cash balance of only \$637 at December 31, 2003. The County Commission needs to closely monitor revenues and expenditures and take steps to increase the balance of the General Revenue Fund.

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- During the years ended December 31, 2002 and 2001, Sullivan County was designated as the recipient for a Community Development Block Grant which was passed through to the Sullivan County Public Water Supply District #1. The county did not properly monitor this grant.
- Adequate supporting documentation was not required or retained to support some county expenditures, such as CART rock reimbursements, and credit card purchases. Additionally, although the county does not have a written agreement with the Prosecuting Attorney, the county reimburses 50 percent of the Prosecuting Attorney's expenses for rent and utilities each year as well as his secretary's salary for four of the five day work week.
- The county's procedures are not adequate to ensure fixed asset purchases are added to the property records. In addition, some county offices did not conduct annual physical inventories and mileage logs are not maintained for county-owned vehicles used by the sheriff's department.

Also included in the audit are recommendations to the County Commission related to personnel policies and procedures, and closed meeting minutes. In addition, a recommendation was made to the Health Center to publish its financial statements.

**All reports are available on our website: [www.auditor.state.mo.us](http://www.auditor.state.mo.us)**

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## FINANCIAL SECTION

## State Auditor's Reports



**CLAIRE C. McCASKILL**  
**Missouri State Auditor**

**INDEPENDENT AUDITOR'S REPORT ON THE FINANCIAL  
STATEMENTS AND SUPPLEMENTARY SCHEDULE OF  
EXPENDITURES OF FEDERAL AWARDS**

To the County Commission  
and  
Officeholders of Sullivan County, Missouri

We have audited the accompanying Statements of Receipts, Disbursements, and Changes in Cash - Various Funds and Comparative Statement of Receipts, Disbursements, and Changes in Cash - Budget and Actual - Various Funds of Sullivan County, Missouri, as of and for the years ended December 31, 2002 and 2001. These financial statements are the responsibility of the county's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note 1 to the financial statements, these financial statements were prepared on the cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the receipts, disbursements, and changes in cash of various funds of Sullivan County, Missouri, and comparisons of such information with the corresponding budgeted information for various funds of the county as of and for the years ended December 31, 2002 and 2001, on the basis of accounting discussed in Note 1.



In accordance with *Government Auditing Standards*, we also have issued our report dated July 8, 2003, on our consideration of the county's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

The accompanying History, Organization, and Statistical Information is presented for informational purposes. This information was obtained from the management of Sullivan County, Missouri, and was not subjected to the auditing procedures applied in the audit of the financial statements referred to above.

A handwritten signature in black ink, reading "Claire McCaskill". The signature is fluid and cursive, with the first name "Claire" and last name "McCaskill" clearly distinguishable.

Claire McCaskill  
State Auditor

July 8, 2003 (fieldwork completion date)

The following auditors participated in the preparation of this report:

Director of Audits:	Thomas J. Kremer, CPA
Audit Manager:	Jeannette Eaves, CPA
In-Charge Auditor:	Robert L. McArthur II
Audit Staff:	Anissa Falconer
	Cara M. Wolfe



**CLAIRE C. McCASKILL**  
**Missouri State Auditor**

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE  
AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED  
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the County Commission  
and  
Officeholders of Sullivan County, Missouri

We have audited the financial statements of various funds of Sullivan County, Missouri, as of and for the years ended December 31, 2002 and 2001, and have issued our report thereon dated July 8, 2003. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the financial statements of various funds of Sullivan County, Missouri, are free of material misstatement, we performed tests of the county's compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance which are described in the accompanying Management Advisory Report.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements of various funds of Sullivan County, Missouri, we considered the county's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our

consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting which are described in the accompanying Management Advisory Report.

This report is intended for the information and use of the management of Sullivan County, Missouri; federal awarding agencies and pass-through entities; and other applicable government officials. However, pursuant to Section 29.270, RSMo 2000, this report is a matter of public record and its distribution is not limited.

A handwritten signature in black ink, reading "Claire McCaskill". The signature is fluid and cursive, with the first name "Claire" and last name "McCaskill" clearly distinguishable.

Claire McCaskill  
State Auditor

July 8, 2003 (fieldwork completion date)

## Financial Statements

Exhibit A-1

SULLIVAN COUNTY, MISSOURI  
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - VARIOUS FUNDS  
YEAR ENDED DECEMBER 31, 2002

Fund	Cash, January 1	Receipts	Disbursements	Cash, December 31
General Revenue	\$ 73,892	926,674	946,889	53,677
Special Road and Bridge	321,245	821,911	877,217	265,939
Assessment	0	97,258	97,258	0
Law Enforcement Training	549	5,145	4,924	770
Prosecuting Attorney Training	241	690	723	208
Child Support Enforcement	940	107,746	108,553	133
Local Emergency Planning Training	14,370	3,153	5,937	11,586
Victims of Domestic Violence	0	255	255	0
Prosecuting Attorney Delinquent Tax	66	50	0	116
Prosecuting Attorney Bad Check	3,348	4,752	6,918	1,182
Recorder User Fee	17,660	4,937	260	22,337
Sheriff/Law Enforcement	13,194	21,393	18,629	15,958
Sullivan County Memorial Hospital Sales Tax	15,266	207,816	219,755	3,327
Election Services	884	2,645	1,815	1,714
Community Development Block Grant (Water)	0	10,000	10,000	0
Community Development Block Grant (Bridge)	0	178,604	178,604	0
Health Center	213,633	351,708	388,498	176,843
911 Board	190,564	209,082	192,084	207,562
Tax Maintenance	0	366	261	105
Law Library	5,022	3,069	6,859	1,232
Total	\$ 870,874	2,957,254	3,065,439	762,689

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit A-2

SULLIVAN COUNTY, MISSOURI  
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - VARIOUS FUNDS  
YEAR ENDED DECEMBER 31, 2001

Fund	Cash, January 1	Receipts	Disbursements	Cash, December 31
General Revenue	\$ 172,628	915,206	1,013,942	73,892
Special Road and Bridge	345,267	1,043,408	1,067,430	321,245
Assessment	0	96,143	96,143	0
Law Enforcement Training	484	2,897	2,832	549
Prosecuting Attorney Training	170	612	541	241
Child Support Enforcement	1,652	91,327	92,039	940
Local Emergency Planning Training	9,690	5,691	1,011	14,370
Victims of Domestic Violence	305	255	560	0
Prosecuting Attorney Delinquent Tax	98	58	90	66
Prosecuting Attorney Bad Check	5,447	6,599	8,698	3,348
Recorder User Fee	13,915	3,977	232	17,660
Sheriff/Law Enforcement	10,523	15,561	12,890	13,194
Sullivan County Memorial Hospital Sales Tax	73	218,986	203,793	15,266
Election Services	1,513	2,430	3,059	884
Health Center	260,367	345,498	392,232	213,633
911 Board	151,639	212,118	173,193	190,564
Community Development Block Grant (Water)	0	490,000	490,000	0
Community Development Block Grant (ADA)	0	101,394	101,394	0
Local Law Enforcement Block Grant	0	9,440	9,440	0
Law Library	7,070	4,008	6,056	5,022
Total	\$ 980,841	3,565,608	3,675,575	870,874

The accompanying Notes to the Financial Statements are an integral part of this statement.

## Exhibit B

## SULLIVAN COUNTY, MISSOURI

## COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - VARIOUS FUND

	Year Ended December 31,					
	2002			2001		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
<b><u>TOTALS - VARIOUS FUNDS</u></b>						
RECEIPTS	\$ 3,025,088	2,953,819	(71,269)	3,182,930	2,960,766	(222,164)
DISBURSEMENTS	3,326,112	3,058,319	267,793	3,675,958	3,068,685	607,273
RECEIPTS OVER (UNDER) DISBURSEMENTS	(301,024)	(104,500)	196,524	(493,028)	(107,919)	385,109
CASH, JANUARY 1	865,712	865,852	140	973,771	973,771	0
CASH, DECEMBER 31	564,688	761,352	196,664	480,743	865,852	385,109
<b><u>GENERAL REVENUE FUND</u></b>						
RECEIPTS						
Property taxes	144,500	143,558	(942)	124,560	134,779	10,219
Sales taxes	414,000	414,947	947	428,000	414,784	(13,216)
Intergovernmental	10,200	7,412	(2,788)	14,400	11,644	(2,756)
Charges for services	124,500	133,360	8,860	128,500	127,941	(559)
Interest	6,000	4,117	(1,883)	12,000	12,382	382
Other	43,950	46,980	3,030	51,678	65,343	13,665
Transfers in	178,000	176,300	(1,700)	156,000	148,333	(7,667)
Total Receipts	921,150	926,674	5,524	915,138	915,206	68
DISBURSEMENTS						
County Commissioner	80,920	80,998	(78)	86,820	85,974	846
County Clerk	76,040	75,781	259	74,540	74,529	11
Elections	39,500	41,863	(2,363)	36,000	36,167	(167)
Buildings and grounds	53,150	58,298	(5,148)	117,297	121,574	(4,277)
Employee fringe benefit	44,700	48,354	(3,654)	49,500	44,199	5,301
County Treasurer	55,500	55,834	(334)	53,943	52,538	1,405
County Collector	4,500	4,409	91	5,000	4,336	664
Circuit Clerk	28,650	29,963	(1,313)	31,500	31,301	199
Court administration	14,813	12,954	1,859	18,610	5,109	13,501
Public Administrator	29,000	28,574	426	29,000	28,494	506
Sheriff	328,300	328,611	(311)	318,500	318,904	(404)
Jail	48,500	26,599	21,901	52,500	47,652	4,848
Prosecuting Attorney	58,934	60,304	(1,370)	58,194	58,338	(144)
Juvenile Officer	8,763	10,709	(1,946)	12,317	9,387	2,930
County Coroner	13,415	13,653	(238)	14,000	13,830	170
Other	61,210	53,600	7,610	72,320	67,966	4,354
Public health and welfare service	0	0	0	700	470	230
Transfers out	19,117	16,385	2,732	21,378	13,174	8,204
Emergency Fund	30,000	0	30,000	34,000	0	34,000
Total Disbursements	995,012	946,889	48,123	1,086,119	1,013,942	72,177
RECEIPTS OVER (UNDER) DISBURSEMENTS	(73,862)	(20,215)	53,647	(170,981)	(98,736)	72,245
CASH, JANUARY 1	73,892	73,892	0	172,628	172,628	0
CASH, DECEMBER 31	30	53,677	53,647	1,647	73,892	72,245

## Exhibit B

## SULLIVAN COUNTY, MISSOURI

## COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - VARIOUS FUND

	Year Ended December 31,					
	2002			2001		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
<b><u>SPECIAL ROAD AND BRIDGE FUND</u></b>						
<b>RECEIPTS</b>						
Intergovernmental	777,000	770,301	(6,699)	1,112,000	983,931	(128,069)
Charges for services	34,700	33,610	(1,090)	42,000	33,316	(8,684)
Interest	20,000	6,520	(13,480)	25,000	20,009	(4,991)
Other	200	1,400	1,200	300	152	(148)
Transfers in	15,600	10,080	(5,520)	12,000	6,000	(6,000)
Total Receipts	847,500	821,911	(25,589)	1,191,300	1,043,408	(147,892)
<b>DISBURSEMENTS</b>						
Salaries	123,685	123,685	0	121,185	121,185	0
Employee fringe benefit	16,025	17,681	(1,656)	13,400	15,448	(2,048)
Supplies	9,800	8,673	1,127	8,800	11,798	(2,998)
Insurance	8,000	1,999	6,001	21,000	7,008	13,992
Road and bridge materials	250,000	229,049	20,951	287,000	196,698	90,302
Equipment repairs	20,000	11,884	8,116	30,000	22,380	7,620
Equipment purchases	30,000	0	30,000	30,000	2,043	27,957
Construction, repair, and maintenance	406,500	423,342	(16,842)	900,000	647,226	252,774
Other	32,700	30,904	1,796	32,700	27,644	5,056
Transfers out	30,000	30,000	0	30,000	16,000	14,000
Total Disbursements	926,710	877,217	49,493	1,474,085	1,067,430	406,655
RECEIPTS OVER (UNDER) DISBURSEMENTS	(79,210)	(55,306)	23,904	(282,785)	(24,022)	258,763
CASH, JANUARY 1	321,245	321,245	0	345,267	345,267	0
CASH, DECEMBER 31	242,035	265,939	23,904	62,482	321,245	258,763
<b><u>ASSESSMENT FUND</u></b>						
<b>RECEIPTS</b>						
Intergovernmental	86,900	87,976	1,076	84,800	87,071	2,271
Charges for services	550	898	348	700	464	(236)
Interest	500	298	(202)	600	617	17
Other	0	0	0	0	617	617
Transfers in	9,117	8,086	(1,031)	11,378	7,374	(4,004)
Total Receipts	97,067	97,258	191	97,478	96,143	(1,335)
<b>DISBURSEMENTS</b>						
Assessor	97,067	97,258	(191)	97,478	96,143	1,335
Total Disbursements	97,067	97,258	(191)	97,478	96,143	1,335
RECEIPTS OVER (UNDER) DISBURSEMENTS	0	0	0	0	0	0
CASH, JANUARY 1	0	0	0	0	0	0
CASH, DECEMBER 31	0	0	0	0	0	0



## Exhibit B

## SULLIVAN COUNTY, MISSOURI

## COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - VARIOUS FUND

	Year Ended December 31,					
	2002			2001		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
<b><u>LAW ENFORCEMENT TRAINING FUND</u></b>						
RECEIPTS						
Intergovernmental	0	1,960	1,960	0	0	0
Charges for service:	4,500	2,790	(1,710)	2,500	2,892	392
Interest	10	27	17	40	5	(35)
Other	0	368	368	0	0	0
Total Receipts	4,510	5,145	635	2,540	2,897	357
DISBURSEMENTS						
Sheriff	5,000	4,924	76	2,540	2,832	(292)
Total Disbursements	5,000	4,924	76	2,540	2,832	(292)
RECEIPTS OVER (UNDER) DISBURSEMENTS	(490)	221	711	0	65	65
CASH, JANUARY 1	549	549	0	484	484	0
CASH, DECEMBER 31	59	770	711	484	549	65
<b><u>PROSECUTING ATTORNEY TRAINING FUND</u></b>						
RECEIPTS						
Charges for service:	700	690	(10)	800	612	(188)
Interest	10	0	(10)	0	0	0
Total Receipts	710	690	(20)	800	612	(188)
DISBURSEMENTS						
Prosecuting Attorney	950	723	227	950	541	409
Total Disbursements	950	723	227	950	541	409
RECEIPTS OVER (UNDER) DISBURSEMENTS	(240)	(33)	207	(150)	71	221
CASH, JANUARY 1	241	241	0	170	170	0
CASH, DECEMBER 31	1	208	207	20	241	221
<b><u>CHILD SUPPORT ENFORCEMENT FUND</u></b>						
RECEIPTS						
Intergovernmental	102,325	99,433	(2,892)	90,700	85,464	(5,236)
Interest	50	13	(37)	200	63	(137)
Transfers in	10,000	8,300	(1,700)	10,000	5,800	(4,200)
Total Receipts	112,375	107,746	(4,629)	100,900	91,327	(9,573)
DISBURSEMENTS						
Salaries	87,845	87,521	324	76,096	75,320	776
Office expenditures:	7,600	8,206	(606)	6,800	6,613	187
Equipment	2,050	2,066	(16)	2,400	2,259	141
Training and mileage	3,000	2,460	540	3,700	2,047	1,653
Transfers out	10,000	8,300	1,700	11,900	5,800	6,100
Total Disbursements	110,495	108,553	1,942	100,896	92,039	8,857
RECEIPTS OVER (UNDER) DISBURSEMENTS	1,880	(807)	(2,687)	4	(712)	(716)
CASH, JANUARY 1	940	940	0	1,652	1,652	0
CASH, DECEMBER 31	2,820	133	(2,687)	1,656	940	(716)

## Exhibit B

## SULLIVAN COUNTY, MISSOURI

## COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - VARIOUS FUND

	Year Ended December 31,					
	2002			2001		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
<b><u>LOCAL EMERGENCY PLANNING TRAINING FUND</u></b>						
<b>RECEIPTS</b>						
Intergovernmental	2,000	2,913	913	2,500	5,269	2,769
Interest	400	240	(160)	400	422	22
Total Receipts	2,400	3,153	753	2,900	5,691	2,791
<b>DISBURSEMENTS</b>						
Local Emergency Planning Commission	16,000	5,937	10,063	10,000	1,011	8,989
Total Disbursements	16,000	5,937	10,063	10,000	1,011	8,989
RECEIPTS OVER (UNDER) DISBURSEMENTS	(13,600)	(2,784)	10,816	(7,100)	4,680	11,780
CASH, JANUARY 1	14,370	14,370	0	9,690	9,690	0
CASH, DECEMBER 31	770	11,586	10,816	2,590	14,370	11,780
<b><u>VICTIMS OF DOMESTIC VIOLENCE FUND</u></b>						
<b>RECEIPTS</b>						
Charges for services	300	255	(45)	395	255	(140)
Total Receipts	300	255	(45)	395	255	(140)
<b>DISBURSEMENTS</b>						
Shelter	300	255	45	700	560	140
Total Disbursements	300	255	45	700	560	140
RECEIPTS OVER (UNDER) DISBURSEMENTS	0	0	0	(305)	(305)	0
CASH, JANUARY 1	0	0	0	305	305	0
CASH, DECEMBER 31	0	0	0	0	0	0
<b><u>PROSECUTING ATTORNEY DELINQUENT TAX FUND</u></b>						
<b>RECEIPTS</b>						
Intergovernmental	200	50	(150)	300	58	(242)
Total Receipts	200	50	(150)	300	58	(242)
<b>DISBURSEMENTS</b>						
Prosecuting Attorney	260	0	260	350	90	260
Total Disbursements	260	0	260	350	90	260
RECEIPTS OVER (UNDER) DISBURSEMENTS	(60)	50	110	(50)	(32)	18
CASH, JANUARY 1	66	66	0	98	98	0
CASH, DECEMBER 31	6	116	110	48	66	18
<b><u>PROSECUTING ATTORNEY BAD CHECK FUND</u></b>						
<b>RECEIPTS</b>						
Charges for services	6,400	4,682	(1,718)	6,000	6,391	391
Interest	200	70	(130)	300	208	(92)
Total Receipts	6,600	4,752	(1,848)	6,300	6,599	299
<b>DISBURSEMENTS</b>						
Prosecuting Attorney	9,800	6,918	2,882	11,500	8,698	2,802
Total Disbursements	9,800	6,918	2,882	11,500	8,698	2,802
RECEIPTS OVER (UNDER) DISBURSEMENTS	(3,200)	(2,166)	1,034	(5,200)	(2,099)	3,101
CASH, JANUARY 1	3,348	3,348	0	5,447	5,447	0
CASH, DECEMBER 31	148	1,182	1,034	247	3,348	3,101

## Exhibit B

## SULLIVAN COUNTY, MISSOURI

## COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - VARIOUS FUND

	Year Ended December 31,					
	2002			2001		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
<b><u>RECORDER USER FEE FUND</u></b>						
RECEIPTS						
Charges for service:	3,900	4,525	625	3,100	3,365	265
Interest	600	412	(188)	700	612	(88)
Total Receipts	4,500	4,937	437	3,800	3,977	177
DISBURSEMENTS						
Recorder	22,000	260	21,740	17,000	232	16,768
Total Disbursements	22,000	260	21,740	17,000	232	16,768
RECEIPTS OVER (UNDER) DISBURSEMENTS	(17,500)	4,677	22,177	(13,200)	3,745	16,945
CASH, JANUARY 1	17,660	17,660	0	13,915	13,915	0
CASH, DECEMBER 31	160	22,337	22,177	715	17,660	16,945
<b><u>SHERIFF/LAW ENFORCEMENT FUND</u></b>						
RECEIPTS						
Intergovernmental	1,000	0	(1,000)	9,496	1,203	(8,293)
Charges for service:	13,500	21,000	7,500	11,500	13,248	1,748
Interest	500	291	(209)	500	524	24
Other	600	102	(498)	100	586	486
Total Receipts	15,600	21,393	5,793	21,596	15,561	(6,035)
DISBURSEMENTS						
Sheriff	28,000	18,629	9,371	31,500	12,890	18,610
Total Disbursements	28,000	18,629	9,371	31,500	12,890	18,610
RECEIPTS OVER (UNDER) DISBURSEMENTS	(12,400)	2,764	15,164	(9,904)	2,671	12,575
CASH, JANUARY 1	13,194	13,194	0	10,523	10,523	0
CASH, DECEMBER 31	794	15,958	15,164	619	13,194	12,575
<b><u>SULLIVAN COUNTY MEMORIAL HOSPITAL SALES TAX FUND</u></b>						
RECEIPTS						
Sales taxes	218,000	207,547	(10,453)	210,000	218,606	8,606
Interest	300	269	(31)	200	380	180
Total Receipts	218,300	207,816	(10,484)	210,200	218,986	8,786
DISBURSEMENTS						
Capital improvements	233,500	219,755	13,745	210,000	203,793	6,207
Total Disbursements	233,500	219,755	13,745	210,000	203,793	6,207
RECEIPTS OVER (UNDER) DISBURSEMENTS	(15,200)	(11,939)	3,261	200	15,193	14,993
CASH, JANUARY 1	15,266	15,266	0	73	73	0
CASH, DECEMBER 31	66	3,327	3,261	273	15,266	14,993

## Exhibit B

## SULLIVAN COUNTY, MISSOURI

## COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - VARIOUS FUND

	Year Ended December 31,					
	2002			2001		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
<b><u>ELECTION SERVICES FUND</u></b>						
RECEIPTS						
Charges for service:	2,500	2,631	131	2,000	2,366	366
Interest	50	14	(36)	100	64	(36)
Total Receipts	2,550	2,645	95	2,100	2,430	330
DISBURSEMENTS						
Equipment	500	682	(182)	1,000	514	486
Mileage and training	2,000	805	1,195	1,600	2,132	(532)
Other	900	328	572	1,000	413	587
Total Disbursements	3,400	1,815	1,585	3,600	3,059	541
RECEIPTS OVER (UNDER) DISBURSEMENTS	(850)	830	1,680	(1,500)	(629)	871
CASH, JANUARY 1	884	884	0	1,513	1,513	0
CASH, DECEMBER 31	34	1,714	1,680	13	884	871
<b><u>COMMUNITY DEVELOPMENT BLOCK GRANT (WATER) FUND</u></b>						
RECEIPTS						
Intergovernmental	10,000	10,000	0			
Total Receipts	10,000	10,000	0			
DISBURSEMENTS						
Emergency water	10,000	10,000	0			
Total Disbursements	10,000	10,000	0			
RECEIPTS OVER (UNDER) DISBURSEMENTS	0	0	0			
CASH, JANUARY 1	0	0	0			
CASH, DECEMBER 31	0	0	0			
<b><u>COMMUNITY DEVELOPMENT BLOCK GRANT (BRIDGE) FUND</u></b>						
RECEIPTS						
Intergovernmental	244,151	178,604	(65,547)			
Total Receipts	244,151	178,604	(65,547)			
DISBURSEMENTS						
Bridge expense	244,151	178,604	65,547			
Total Disbursements	244,151	178,604	65,547			
RECEIPTS OVER (UNDER) DISBURSEMENTS	0	0	0			
CASH, JANUARY 1	0	0	0			
CASH, DECEMBER 31	0	0	0			

## Exhibit B

## SULLIVAN COUNTY, MISSOURI

## COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - VARIOUS FUND

	Year Ended December 31,					
	2002			2001		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
<b><u>HEALTH CENTER FUND</u></b>						
RECEIPTS						
Property taxes	65,000	68,573	3,573	60,000	64,782	4,782
Intergovernmental	108,655	107,008	(1,647)	128,934	108,071	(20,863)
Charges for services	108,000	132,535	24,535	176,439	127,301	(49,138)
Interest	7,000	8,361	1,361	20,000	14,450	(5,550)
Other	36,500	35,231	(1,269)	28,750	30,894	2,144
Total Receipts	325,155	351,708	26,553	414,123	345,498	(68,625)
DISBURSEMENTS						
Salaries	341,368	336,384	4,984	346,688	341,368	5,320
Office expenditures:	23,498	23,784	(286)	27,635	21,198	6,437
Equipment	0	0	0	0	170	(170)
Mileage and training	12,200	12,030	170	19,300	12,086	7,214
Other	14,820	16,300	(1,480)	20,500	17,410	3,090
Total Disbursements	391,886	388,498	3,388	414,123	392,232	21,891
RECEIPTS OVER (UNDER) DISBURSEMENTS	(66,731)	(36,790)	29,941	0	(46,734)	(46,734)
CASH, JANUARY 1	213,633	213,633	0	260,367	260,367	0
CASH, DECEMBER 31	146,902	176,843	29,941	260,367	213,633	(46,734)
<b><u>911 BOARD FUND</u></b>						
RECEIPTS						
Sales taxes	207,600	207,461	(139)	206,000	207,519	1,519
Charges for services	100	27	(73)	400	10	(390)
Interest	4,320	1,594	(2,726)	6,660	4,589	(2,071)
Total Receipts	212,020	209,082	(2,938)	213,060	212,118	(942)
DISBURSEMENTS						
Project management	5,000	3,309	1,691	0	0	0
Signs and hardware	4,000	2,614	1,386	6,000	1,936	4,064
Installation costs	38,000	31,417	6,583	36,000	32,146	3,854
Office equipment and supplies	2,400	2,241	159	2,400	1,860	540
Training	3,000	241	2,759	3,000	0	3,000
Radio improvements	5,000	0	5,000	5,000	969	4,031
Other	5,050	4,182	868	5,550	3,749	1,801
Transfers out	169,131	148,080	21,051	157,167	132,533	24,634
Total Disbursements	231,581	192,084	39,497	215,117	173,193	41,924
RECEIPTS OVER (UNDER) DISBURSEMENTS	(19,561)	16,998	36,559	(2,057)	38,925	40,982
CASH, JANUARY 1	190,424	190,564	140	151,639	151,639	0
CASH, DECEMBER 31	\$ 170,863	207,562	36,699	149,582	190,564	40,982

The accompanying Notes to the Financial Statements are an integral part of this statement

## Notes to the Financial Statements

SULLIVAN COUNTY, MISSOURI  
NOTES TO THE FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies

A. Reporting Entity and Basis of Presentation

The accompanying financial statements present the receipts, disbursements, and changes in cash of various funds of Sullivan County, Missouri, and comparisons of such information with the corresponding budgeted information for various funds of the county. The funds presented are established under statutory or administrative authority, and their operations are under the control of the County Commission, an elected county official, the Health Center Board, or the 911 Board. The General Revenue Fund is the county's general operating fund, accounting for all financial resources except those required to be accounted for in another fund. The other funds presented account for financial resources whose use is restricted for specified purposes.

B. Basis of Accounting

The financial statements are prepared on the cash basis of accounting; accordingly, amounts are recognized when received or disbursed in cash. This basis of accounting differs from accounting principles generally accepted in the United States of America. Those principles require revenues to be recognized when they become available and measurable or when they are earned and expenditures or expenses to be recognized when the related liabilities are incurred.

C. Budgets and Budgetary Practices

The County Commission and other applicable boards are responsible for the preparation and approval of budgets for various county funds in accordance with Sections 50.525 through 50.745, RSMo 2000, the county budget law. These budgets are adopted on the cash basis of accounting.

Although adoption of a formal budget is required by law, the county did not adopt formal budgets for the following funds:

<u>Fund</u>	<u>Years Ended December 31,</u>
Community Development Block Grant (Water) Fund	2001
Community Development Block Grant (ADA) Fund	2001
Local Law Enforcement Block Grant Fund	2001
Tax Maintenance Fund	2002
Law Library Fund	2001 and 2002

Warrants issued were in excess of budgeted amounts for the following funds:

<u>Fund</u>	<u>Years Ended December 31,</u>
Assessment Fund	2002
Law Enforcement Training Fund	2001

Section 50.740, RSMo 2000, prohibits expenditures in excess of the approved budgets.

D. Published Financial Statements

Under Sections 50.800 and 50.810, RSMo 2000, the County Commission is responsible for preparing and publishing in a local newspaper a detailed annual financial statement for the county. The financial statement is required to show receipts or revenues, disbursements or expenditures, and beginning and ending balances for each fund.

However, the county's published financial statements for the years ended December 31, 2002 and 2001, did not include the Health Center Fund, the 911 Board Fund, and the Law Library Fund.

2. Cash

Section 110.270, RSMo 2000, based on Article IV, Section 15, Missouri Constitution, authorizes counties to place their funds, either outright or by repurchase agreement, in U.S. Treasury and agency obligations. In addition, Section 30.950, RSMo 2000, requires political subdivisions with authority to invest in instruments other than depositary accounts at financial institutions to adopt a written investment policy. Among other things, the policy is to commit a political subdivision to the principles of safety, liquidity, and yield (in that order) when managing public funds and to prohibit purchase of derivatives (either directly or through repurchase agreements), use of leveraging (through either reverse repurchase agreements or other methods), and use of public funds for speculation. The county has not adopted such a policy.

Cash includes both deposits and investments. In accordance with Statement No. 3 of the Governmental Accounting Standards Board, *Deposits with Financial Institutions, Investments (Including Repurchase Agreements), and Reverse Repurchase Agreements*, disclosures are provided below regarding the risk of potential loss of deposits and investments. For the purposes of these disclosures, deposits with financial institutions are demand, time, and savings accounts, including certificates of deposit and negotiable order of withdrawal accounts, in banks, savings institutions, and credit unions. Investments are securities and other assets acquired primarily for the purpose of obtaining income or profit.



### Deposits

The county's and the 911 Board's deposits at December 31, 2002 and 2001 were entirely covered by federal depository insurance, by commercial insurance provided through a surety bond, or by collateral securities held by the county's or the board's custodial bank in the county's or the board's name.

The Health Center Board's deposits at December 31, 2002 and 2001 were covered by federal depository insurance.

However, because of significantly higher bank balances at certain times during the year, uninsured and uncollateralized balances for the Health Center Board existed at those times although not at year-end.

To protect the safety of county deposits, Section 110.020, RSMo 2000, requires depositories to pledge collateral securities to secure county deposits not insured by the Federal Deposit Insurance Corporation.

### Investments

The only investment of the various funds at December 31, 2002 and 2001, was a repurchase agreement owned by the Health Center with a reported amount of \$29,000 and \$39,000, respectively (which approximated fair value).

This investment represents an uninsured and unregistered investment for which the securities were held by the Health Center's custodial bank in the Health Center's name.

## Supplementary Schedule

## Schedule

SULLIVAN COUNTY, MISSOURI  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Federal CFDA Number	Federal Grantor/Pass-Through Grantor/Program Title	Pass-Through Entity Identifying Number	Federal Expenditures	
			Year Ended December 31,	
			2002	2001
U. S. DEPARTMENT OF AGRICULTURE				
	Passed through state			
	Department of Health and Senior Services -			
10.557	Special Supplemental Nutrition Program for Women, Infants, and Children	ERS045-1206	\$ 0	22,458
		ERS045-2206	21,021	2,193
		ERS045-3206	2,676	0
	Program Total		<u>23,697</u>	<u>24,651</u>
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT				
	Passed through state			
	Department of Economic Development -			
14.228	Community Development Block Grants/State' Program	99-PF-46	0	101,394
		99-EM-01	10,000	490,000
		01-PF-21	178,604	0
	Program Total		<u>188,604</u>	<u>591,394</u>
U.S. DEPARTMENT OF JUSTICE				
	Passed through:			
	State Department of Public Safety			
16.592	Local Law Enforcement Block Grants Program	2000 LBG 084	0	8,496
	Missouri Sheriffs' Association -			
16.unknown	Domestic Cannabis Eradication/Suppression Program	N/A	1,769	1,485
U. S. DEPARTMENT OF TRANSPORTATION				
	Passed through state			
	Highway and Transportation Commission			
20.205	Highway Planning and Constructior	BRO 105 (12)	0	204,553
		BRO 105 (17)	0	1,015
		BRO 105 (18)	0	204,301
		BRO 105 (19)	164,867	36,403
	Program Total		<u>164,867</u>	<u>446,272</u>

## Schedule

SULLIVAN COUNTY, MISSOURI  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Federal CFDA Number	Federal Grantor/Pass-Through Grantor/Program Title	Pass-Through Entity Identifying Number	Federal Expenditures	
			Year Ended December 31,	
			2002	2001
	Department of Public Safety			
20.703	Interagency Hazardous Materials Public Sector Training and Planning Grants	N/A	2,913	2,743
	GENERAL SERVICES ADMINISTRATION			
	Passed through state Office of Administration			
39.003	Donation of Federal Surplus Personal Property	N/A	130	0
	FEDERAL EMERGENCY MANAGEMENT AGENCY			
	Passed through state Department of Public Safety			
83.544	Public Assistance Grants	N/A	59,148	0
	U. S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
	Passed through state			
	Department of Health and Senior Services -			
93.268	Immunization Grants	PGA064-2206A	1,915	0
		N/A	18,197	0
		N/A	2,072	0
	Program Total		<u>22,184</u>	<u>0</u>
	Department of Social Services -			
93.563	Child Support Enforcement	N/A	47,602	48,900
		N/A	17,966	7,508
	Program Total		<u>65,568</u>	<u>56,408</u>
	Department of Health and Senior Services -			
93.575	Child Care and Development Block Grants	PGA067-1206	0	1,050
		PGA067-2206	605	250
		PGA067-3206	80	0
	Program Total		<u>685</u>	<u>1,300</u>

## Schedule

SULLIVAN COUNTY, MISSOURI  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Federal CFDA Number	Federal Grantor/Pass-Through Grantor/Program Title	Pass-Through Entity Identifying Number	Federal Expenditures	
			Year Ended December 31,	
			2002	2001
	Department of Health and Senior Services -			
93.994	Maternal and Child Health Service: Block Grant to the States	ERS146-1206	0	10,566
		ERS146-2206	10,293	3,366
		ERS146-3206	2,282	0
		ERS175-1206	0	1,974
		N/A	196	0
	Program Total		<u>12,771</u>	<u>15,906</u>
	Total Expenditures of Federal Award:		<u>\$ 542,336</u>	<u>1,148,655</u>

N/A - Not applicable

The accompanying Notes to the Supplementary Schedule are an integral part of this schedule.

Notes to the Supplementary Schedule

SULLIVAN COUNTY, MISSOURI  
NOTES TO THE SUPPLEMENTARY SCHEDULE

1. Summary of Significant Accounting Policies

A. Purpose of Schedule and Reporting Entity

The accompanying Schedule of Expenditures of Federal Awards has been prepared to comply with the requirements of OMB Circular A-133. This circular requires a schedule that provides total federal awards expended for each federal program and the Catalog of Federal Domestic Assistance (CFDA) number or other identifying number when the CFDA information is not available.

The schedule includes all federal awards administered by Sullivan County, Missouri.

B. Basis of Presentation

OMB Circular A-133 includes these definitions, which govern the contents of the schedule:

*Federal financial assistance* means assistance that non-Federal entities receive or administer in the form of grants, loans, loan guarantees, property (including donated surplus property), cooperative agreements, interest subsidies, insurance, food commodities, direct appropriations, and other assistance, but does not include amounts received as reimbursement for services rendered to individuals . . . .

*Federal award* means Federal financial assistance and Federal cost-reimbursement contracts that non-Federal entities receive directly from Federal awarding agencies or indirectly from pass-through entities. It does not include procurement contracts, under grants or contracts, used to buy goods or services from vendors.

Accordingly, the schedule includes expenditures of both cash and noncash awards.

C. Basis of Accounting

Except as noted below, the schedule is presented on the cash basis of accounting, which recognizes amounts only when disbursed in cash.

Amounts for the Donation of Federal Surplus Personal Property Program (CFDA number 39.003) represent the estimated fair market value of property at the time of receipt.

Amounts for Immunization Grants (CFDA number 93.268) and the Maternal and Child Health Services Block Grant to the States (CFDA number 93.994) include both cash disbursements and the original acquisition cost of vaccines obtained by the Health Center through the state Department of Health and Senior Services.

2. Subrecipients

Of the federal expenditures presented in the schedule, the county provided \$10,000 and \$490,000 to a subrecipient under the Community Development Block Grants/State's Program (CFDA number 14.228) during the years ended December 31, 2002 and 2001, respectively.



FEDERAL AWARDS -  
SINGLE AUDIT SECTION

## State Auditor's Report



**CLAIRE C. McCASKILL**  
**Missouri State Auditor**

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH  
REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL  
CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

To the County Commission  
and  
Officeholders of Sullivan County, Missouri

Compliance

We have audited the compliance of Sullivan County, Missouri, with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the years ended December 31, 2002 and 2001. The county's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the county's management. Our responsibility is to express an opinion on the county's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the county's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the county's compliance with those requirements.

In our opinion, Sullivan County, Missouri, complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the years ended December 31, 2002 and 2001. However, the results of our auditing procedures disclosed an

instance of noncompliance with those requirements, which is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying Schedule of Findings and Questioned Costs as finding number 02-1.

#### Internal Control Over Compliance

The management of Sullivan County, Missouri, is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the county's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133.

We noted a certain matter involving the internal control over compliance and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in our judgment, could adversely affect the county's ability to administer a major federal program in accordance with the applicable requirements of laws, regulations, contracts, and grants. The reportable condition is described in the accompanying Schedule of Findings and Questioned Costs as finding number 02-1.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with the applicable requirements of laws, regulations, contracts, and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we do not believe that the reportable condition described above is a material weakness.

This report is intended for the information and use of the management of Sullivan County, Missouri; federal awarding agencies and pass-through entities; and other applicable government officials. However, pursuant to Section 29.270, RSMo 2000, this report is a matter of public record and its distribution is not limited.

A handwritten signature in black ink, reading "Claire McCaskill". The signature is fluid and cursive, with the first name "Claire" and last name "McCaskill" clearly distinguishable.

Claire McCaskill  
State Auditor

July 8, 2003 (fieldwork completion date)

Schedule

SULLIVAN COUNTY, MISSOURI  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(INCLUDING MANAGEMENT'S PLAN FOR CORRECTIVE ACTION)  
YEARS ENDED DECEMBER 31, 2002 AND 2001

**Section I - Summary of Auditor's Results**

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

Material weaknesses identified?        yes   x   no

Reportable conditions identified that are  
not considered to be material weaknesses?        yes   x   none reported

Noncompliance material to the financial statements  
noted?        yes   x   no

Federal Awards

Internal control over major programs:

Material weaknesses identified?        yes   x   no

Reportable condition identified that is  
not considered to be a material weakness?   x   yes        none reported

Type of auditor's report issued on compliance for  
major programs: Unqualified

Any audit findings disclosed that are required to be  
reported in accordance with Section .510(a) of OMB  
Circular A-133?   x   yes        no

Identification of major programs:

CFDA or  
Other Identifying

<u>Number</u>	<u>Program Title</u>
14.228	Community Development Block Grants/State's Program
20.205	Highway Planning and Construction

Dollar threshold used to distinguish between Type A and Type B programs:

\$300,000

Auditee qualified as a low-risk auditee?

\_\_\_\_\_ yes        x   no

## Section II - Financial Statement Findings

This section includes no audit findings that *Government Auditing Standards* requires to be reported for an audit of financial statements.

## Section III - Federal Award Findings and Questioned Costs

This section includes the audit finding that Section .510(a) of OMB Circular A-133 requires to be reported for an audit of federal awards.

**02-1.**

### Subrecipient Monitoring

Federal Grantor:	U.S. Department of Housing and Urban Development
Pass-Through Grantor:	Department of Economic Development
Federal CFDA Number:	14.228
Program Title:	Community Development Block Grants/State's Program
Pass-Through Entity	
Identifying Number:	99-EM-01
Award Year:	2002 and 2001
Questioned Costs:	Not Applicable

During the years ended December 31, 2002 and 2001, Sullivan County was designated as the recipient for a Community Development Block Grant (CDBG), which was passed through to the Sullivan County Public Water Supply District #1 (Water District). Grant funding for this program totaled \$500,000 for the two years.

Under provisions of the Single Audit Act and OMB Circular A-133, the county, as primary grant recipient, is required to monitor any subrecipients receiving \$25,000 or more in federal financial assistance for compliance with applicable laws and regulations. Furthermore, Section 410(d) of Circular A-133 requires the county to inform the subrecipients of various information about the award or requirements imposed on them by federal laws and regulations. Because it received more than \$300,000 the Water District was required by OMB Circular A-133 to have an annual audit of federal awards. Although the Water District was audited annually, the county did not obtain and review copies of this audit report.

In addition, the Water District submitted requests for payment to the county for approval, which the county in turn submitted to the state. The county did not require the

subrecipients to provide proof of payment to the contractors before conveying the federal funds. Also, the county did not retain copies of supporting documentation accompanying requests for payment. By not properly monitoring the county's subrecipients, the county cannot ensure grant monies are being expended in accordance with federal requirements. As the grant recipient, the county is ultimately responsible for ensuring compliance with federal requirements.

**WE RECOMMEND** the County Commission properly monitor federal grant subrecipient expenditures to ensure compliance with federal regulations.

**AUDITEE'S RESPONSE AND PLAN FOR CORRECTIVE ACTION**

*We will make an effort to comply with federal grant requirements in the future.*



Follow-Up on Prior Audit Findings for an  
Audit of Financial Statements Performed in Accordance  
With *Government Auditing Standards*

SULLIVAN COUNTY, MISSOURI  
FOLLOW-UP ON PRIOR AUDIT FINDINGS FOR AN  
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE  
WITH *GOVERNMENT AUDITING STANDARDS*

The prior audit report issued for the two years ended December 31, 2000, included no audit findings that *Government Auditing Standards* requires to be reported for an audit of financial statements.

Summary Schedule of Prior Audit Findings  
in Accordance With OMB Circular A-133

SULLIVAN COUNTY, MISSOURI  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
IN ACCORDANCE WITH OMB CIRCULAR A-133

Section .315 of OMB Circular A-133 requires the auditee to prepare a Summary Schedule of Prior Audit Findings to report the status of all findings that are relative to federal awards and included in the prior audit report's Schedule of Findings and Questioned Costs. The summary schedule also must include findings reported in the prior audit's Summary Schedule of Prior Audit Findings, except those listed as corrected, no longer valid, or not warranting further action.

Section .500(e) of OMB Circular A-133 requires the auditor to follow up on these prior audit findings; to perform procedures to assess the reasonableness of the Summary Schedule of Prior Audit Findings; and to report, as a current year finding, when the auditor concludes that the schedule materially misrepresents the status of any prior findings.

The prior audit report issued for the two years ended December 31, 2000, included no audit findings that Section .510(a) of OMB Circular A-133 requires to be reported for an audit of federal awards.

## MANAGEMENT ADVISORY REPORT SECTION

Management Advisory Report -  
State Auditor's Findings

SULLIVAN COUNTY, MISSOURI  
MANAGEMENT ADVISORY REPORT -  
STATE AUDITOR'S FINDINGS

We have audited the financial statements of various funds of Sullivan County, Missouri, as of and for the years ended December 31, 2002 and 2001, and have issued our report thereon dated July 8, 2003. We also have audited the compliance of Sullivan County, Missouri, with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the years ended December 31, 2002 and 2001, and have issued our report thereon dated July 8, 2003.

We also have audited the operations of elected officials with funds other than those presented in the financial statements. As applicable, the objectives of this audit were to:

1. Determine the internal controls established over the transactions of the various county officials.
2. Review and evaluate certain other management practices for efficiency and effectiveness.
3. Review certain management practices and financial information for compliance with applicable legal provisions.

Our audit was conducted in accordance with applicable standards contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and included such procedures as we considered necessary in the circumstances. In this regard, we reviewed accounting and bank records and other pertinent documents and interviewed various personnel of the county officials.

As part of our audit, we assessed the controls of the various county officials to the extent we determined necessary to evaluate the specific matters described above and not to provide assurance on those controls. With respect to controls, we obtained an understanding of the design of relevant policies and procedures and whether they have been placed in operation and we assessed control risk.

Because the Sullivan County Memorial Hospital Board is audited and separately reported on by other independent auditors, the related fund is not presented in the financial statements. However, we reviewed the audit reports and other applicable information for the sixteen months ended October 31, 2001 and the year ended October 31, 2002.

Our audit was limited to the specific matters described in the preceding paragraphs and was based on selective tests and procedures considered appropriate in the circumstances. This Management Advisory Report includes no findings arising from our audit of the elected county officials referred to above. However, this report includes findings other than those, if any, reported in the accompanying Schedule of Findings and Questioned Costs. These findings resulted from our audit of the financial statements of Sullivan County but do not meet the criteria for inclusion in the written

report on compliance and on internal control over financial reporting that is required for an audit performed in accordance with *Government Auditing Standards*.

<b>1.</b>	<b>Financial Condition</b>
-----------	----------------------------

The county's General Revenue Fund is in poor financial condition. The following chart shows the General Revenue Fund's receipts, disbursements, and cash balances for the six years ended December 31, 2002, as well as estimates for the year ended December 31, 2003:

		2003						
		Estimated	2002	2001	2000	1999	1998	1997
Beginning Cash, January 1	\$	53,677	73,892	172,628	207,552	221,511	262,881	176,703
Receipts		948,500	926,674	915,206	931,271	929,313	816,152	763,137
Disbursements		(1,001,540)	(946,889)	(1,013,942)	(966,195)	(943,272)	(857,522)	(676,959)
Ending Cash, December 31	\$	637	53,677	73,892	172,628	207,552	221,511	262,881
<hr/>								
Receipts Over (Under)								
Disbursements	\$	(53,040)	(20,215)	(98,736)	(34,924)	(13,959)	(41,370)	86,178

As indicated above, based on the 2003 budget estimate, it appears the financial condition of the General Revenue Fund will not improve during the current year.

A significant factor resulting in the decline of the financial condition of the General Revenue Fund was site improvements, sewer repair, the addition of an elevator, and other handicapped-accessible improvements totaling \$318,438, which were made to the courthouse and paid from the General Revenue Fund from 1998 through 2001. Also attributing to the decline were increases in salaries of county officials, which were approved by the salary commission in 1997 and 1999. As a result, the total salaries of the county's officials increased approximately \$49,000 in 1999 and \$41,000 in 2001. In addition, while expenditures have increased, revenues have become stagnant as a result of the poor economy and the county's recent loss of a major employer.

The County Commission should review disbursements to ensure available county resources are used efficiently and to determine if long term reductions in disbursements are possible. In addition, the County Commission should ensure it maximizes receipts from all sources.

**WE RECOMMEND** the County Commission closely monitor the county's financial condition and consider various alternatives of increasing receipts and/or reducing disbursements of the General Revenue Fund.



## **AUDITEE'S RESPONSE**

*The County Commission and County Clerk responded as follows:*

*We are looking for ways to reduce expenses and are considering alternatives to increase revenues in the future.*

<b>2. County Expenditures</b>
-------------------------------

Adequate supporting documentation is not required or retained to support some county expenditures. In addition, written contracts are not always prepared to specify the arrangements between applicable parties. During our review of county expenditures, we noted the following concerns:

- A. Instances were noted in which the county approved payments to vendors without requiring or retaining adequate supporting documentation. Examples of items which could not be properly supported were CART rock reimbursements of approximately \$3,000, Circuit Judge expenses of approximately \$1,000, credit card purchases of approximately \$400 for the transport of prisoners, and an air conditioner for the Circuit Court costing \$465. In addition, we noted an instance in which the county approved payments for bridge materials totaling approximately \$16,000 without requiring acknowledgment of receipt of goods or services.

All expenditures should be supported by paid receipts or vendor-provided invoices. In addition, the county should require acknowledgment of receipt of goods and/or services prior to payment. Such documentation is necessary to ensure the purchase is a proper disbursement of county funds.

- B. Annual uniform allowances of \$300 were paid to road and bridge employees. The county did not require these employees to submit an itemized report of expenditures to support these allowances and the amounts were not reported on W-2 forms.
- C. The Prosecuting Attorney does not have an office in the courthouse; he performs his county duties from an office building used in the operation of his private law practice. The county has agreed to pay 50 percent of the Prosecuting Attorney's expenses for rent and utilities each year as well as his secretary's salary for four days of the five day work week from the Prosecuting Attorney Bad Check Fund.

The agreed upon payments are requested and approved through the county's annual budget process. However, there is no written agreement specifying how the rent and utilities amounts are determined and/or the percentage of secretaries salaries to be paid by the county. In addition, adequate supporting documentation such as employee time sheets is not maintained by the Prosecuting Attorney for filing with the County Clerk.

Section 432.070, RSMo 2000, requires the county to have all contracts in writing. Written agreements should be prepared and should clearly specify the arrangements between applicable parties. Also, timesheets are necessary to document hours actually worked, substantiate payroll expenditures, and allocate payroll expenditures to the various funds.

**WE RECOMMEND** the County Commission:

- A. Ensure adequate supporting documentation is obtained to support all expenditures and require acknowledgment of receipt of goods and/or services prior to payment.
- B. Require employees to submit itemized reports for uniform allowances or report the payments as income on the employees' W-2 forms.
- C. Ensure a written agreement is entered into with the Prosecuting Attorney documenting each parties contractual obligations. In addition, timesheets should be required of the secretary to support salary reimbursements for the agreed upon percentage.

**AUDITEE'S RESPONSE**

*The County Commission and County Clerk responded as follows:*

- A. *Adequate supporting documentation will be maintained. As far as receipt of goods, the County Clerk creates the materials list, places the order, and pays the bills. No other official or employee handles road and bridge purchases.*
- B. *We will require invoices from Road and Bridge employees to support uniform allowances.*

*The County Commission and Prosecuting Attorney responded as follows:*

- C. *We will enter into a contract documenting this agreement and a timesheet will be used to support the secretary's time.*

<b>3. Personnel Policies and Procedures</b>
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Time sheets are not always appropriately signed and the county does not have a standard written personnel policy. During our review of the county's personnel policies and procedures, we noted the following concerns:

- A. Time sheets are not always signed by the employee. In addition, supervisors do not always sign employees' timesheets to document approval. During our review, we noted road and bridge employees' timesheets that were not signed by the road and bridge supervisor. The timesheets should be prepared by the employee, approved by

the applicable supervisor, and filed in a central location with the county's payroll records.

- B. The county does not have standard written personnel policies. Each official informs his/her employees the hours to be worked. This has resulted in inconsistencies among the various offices. Our review of employee time sheets showed that the hours worked by various employees ranged from 35 to 40 hours per week.

Detailed written policies are necessary to provide guidance to county employees, provide a basis for proper compensation, ensure equitable treatment among employees, and avoid misunderstandings.

Conditions similar to A and B were noted in the prior report.

**WE AGAIN RECOMMEND** the County Commission:

- A. Require time sheets be prepared and signed by employees, approved by the applicable supervisor, and filed in a central location with the county's payroll records.
- B. Adopt a detailed written policy to ensure fair and equitable treatment concerning personnel matters.

#### **AUDITEE'S RESPONSE**

*The County Commission and County Clerk responded as follows:*

- A. *This recommendation has been implemented.*
- B. *We will try to implement a personnel policy in the fall or early winter of 2003.*

<b>4. Property Records and Procedures</b>
---

The County Commission or its designee is responsible for maintaining a complete detailed record of county property. In addition, each county official or their designee is responsible for performing periodic inventories and inspections. The county's fixed asset records are not adequate and complete, some county offices did not conduct annual physical inventories, and mileage logs are not maintained for county-owned vehicles used by the Sheriff's department.

- A. The county's fixed asset records are not adequate and complete. In addition, some county offices did not conduct annual physical inventories for the years ended December 31, 2001 and 2002.

Our review of fixed assets found that five of nine assets tested were not included on the fixed asset listings. In addition, we noted that fixed assets are not tagged and

recorded upon arrival or installation, purchases are not reconciled to fixed asset records, and records are not maintained in a manner that balances can be reconciled from period to period. Finally, records of disposed fixed assets are not maintained.

Adequate general fixed asset records are necessary to meet statutory requirements, secure better internal control over county property, and provide a basis for determining proper insurance coverage for county property. Physical inventories of county property are necessary to ensure the fixed asset records are accurate, identify any unrecorded additions and deletions, detect theft of assets, and identify obsolete assets.

Section 49.093, RSMo 2000, provides the county officer of each county department shall annually inspect and inventory county property used by that department with an individual original value of \$250 or more and any property with an aggregate original value of \$1,000 or more. After the first inventory is taken, an explanation of material changes shall be attached to subsequent inventories. All remaining property not inventoried by a particular department shall be inventoried by the County Clerk. The reports required by this section shall be signed by the County Clerk.

- B. Mileage logs are not maintained for the four county-owned vehicles used by the sheriff's department. Logs are necessary to document appropriate use of the vehicles. These logs should be reviewed to ensure the vehicles are used only for county business, are being properly utilized, and help identify vehicles which should be replaced.

**WE RECOMMEND** the County Commission:

- A. Establish a written policy related to the handling and accounting for fixed assets. Besides providing guidance on accounting and record keeping, the policy could include necessary definitions, address important dates, establish standardized forms and reports to be used, discuss procedures for the handling of asset disposition, and any other concerns associated with county property.
- B. Require usage logs for all county vehicles assigned to the sheriff's department and review the logs periodically for reasonableness.

**AUDITEE'S RESPONSE**

*The County Commission and County Clerk responded as follows:*

- A. *A computer program has been obtained and is currently being utilized to record fixed assets.*
- B. *We will discuss this issue with the Sheriff. We will ask the Sheriff and his deputies to document their beginning and ending mileage on their timesheet.*

**5.****Closed Meeting Minutes**

Minutes were not prepared to document the matters discussed in closed meetings. Based on our review of the County's open meeting minutes we noted instances when an executive session was called to discuss "legal matters"; however, no formal documentation was maintained to support these executive sessions. Per discussion with applicable county officials, the February 2002 executive session, held to discuss personnel issues, was one of these instances. Minutes were not maintained for this meeting due to the commission's fear that minutes of closed meetings could become public and result in potential liability.

Section 610.021, RSMo 2000, allows the County Commission to close meetings to the extent they related to certain specified subjects, including litigation, real estate transactions, and personnel issues. In addition, this section requires any vote on a final decision and a record of how each member voted be made public within 72 hours.

Without the preparation of closed minutes, there is less evidence that the provisions of the Sunshine Law, Chapter 610, RSMo, regarding these closed meetings, have been followed.

**WE RECOMMEND** the County Commission ensure minutes are prepared, approved, and retained for all closed meetings, and the final disposition of matters discussed in closed meetings is made public as required by state law.

**AUDITEE'S RESPONSE**

*The County Commission and County Clerk responded as follows:*

*We will consider this recommendation.*

**6.****911 Board**

Inadequate board oversight and a lack of controls and procedures surrounding the 911 accounting system have allowed a misappropriation of funds to go undetected, and such deficiencies need correcting.

In 1996 the voters of Sullivan County passed a one-half cent local sales tax for the purpose of providing central dispatching of fire protection, emergency ambulance and telephone services, and other emergency services. These services are governed by a seven member board elected in 2002 (the previous board members were appointed by the County Commission). Receipts include the sales tax revenues, interest earned on the 911 Board Fund bank account and Certificate of Deposit (CD), and fees collected for map sales and rural addressing. Expenditures of the 911 Board Fund for 2001 and 2002 totaled \$173,193 and \$192,084, respectively.

A.1. It appears that receipts totaling at least \$3,448 were received and not deposited from August 2001 through March 2003, and that these monies were misappropriated.

A comparison of bank CD interest payments to deposits of the 911 Board revealed that 19 interest checks were not deposited into the 911 Board's bank account but were apparently cashed by the former 911 coordinator.

A comparison of the 911 Board Fund budget to the 911 coordinator's check register and monthly settlements showed differences. The CD interest was not recorded in the check register or on the monthly settlements but was presented as actual revenue on the budget. This caused a discrepancy in the cash balances being reported on the various records. Had the 911 Board reviewed the monthly settlements, check register, and/or bank reconciliations and compared them to the budget, these differences could have been detected by the board.

As of July 8, 2003, the former 911 coordinator had resigned her position and personally paid \$400 into the 911 Board bank account.

2. CD interest checks of \$164 and \$149 dated May 22 and June 22, 2003 were retained in the vault and never deposited or recorded in the receipt records. In addition, \$31 cash received from map sales and rural addressing was recorded on receipt slips, but not deposited. Also, \$50 in unidentified cash was found in an envelope along with a bank statement. The cash had not been deposited or recorded in the receipt records.

To ensure all receipts are accounted for properly and safeguarded from theft, loss, or misuse, checks or money orders should be restrictively endorsed immediately upon receipt, monies should be promptly recorded in the receipt records, monies should be maintained in a secure location prior to deposit, monies should be deposited daily or when accumulated receipts exceed \$100, and details of the receipt records should be reconciled to the composition of deposits.

3. The 911 Board performed minimal supervisory review of the 911 coordinator's work. To safeguard against possible future loss or misuse of funds and to ensure that receipts are properly handled, the cash custody and record-keeping functions should be segregated where possible. If it is not feasible to segregate duties further, at a minimum, there should be an independent review of the check register and/or bank reconciliations. In addition, supervisory review procedures should be established to review monthly reports and take a more active role in preparation of the 911 Board Fund annual budget, ensuring accuracy of all amounts presented.

- B. Payments to various vendors were not made on a timely basis. In addition, the 911 Board's procedures for approving disbursements did not require documentation (invoices) be provided by the 911 coordinator to support the amounts being paid. The board simply approved a listing of bills that was prepared by the coordinator.

We noted that bills from two separate phone companies had accrued significant unpaid balances. However, funds were available to pay the phone company bills when they were due. Subsequent to our review and the resignation of the 911 coordinator, the 911 Board has made an attempt to follow-up on these unpaid balances. In addition, our review noted that disbursements totaling approximately \$600 for training expenses were not supported by invoices.

The 911 Board should establish policies and procedures to ensure bills are properly reviewed and authorized and bills and other required payments are paid timely. In addition, the 911 Board should ensure that adequate documentation is maintained to support all expenditures.

- C. Inventory records are not maintained to account for all maps purchased, sold, or given away. These records are necessary to properly reconcile the number of maps on hand with annual dispositions and to ensure all proceeds from the sale of maps are properly accounted for.

Per discussion with the former 911 coordinator, the 911 Board's most recent printing of maps was for 300 small and 500 large maps, of which 157 small and 411 large maps were on hand as of July 8, 2003. No documentation was maintained to support the disposition of the 143 small and 89 large maps. Based on sales prices provided by the coordinator, the value of the maps sold and/or given away was approximately \$400.

To ensure all monies collected are accounted for adequately, the 911 Board should inventory the number of maps on hand and annually reconcile the inventory with the number of maps sold or given away each year and account for the proceeds. Any differences should be investigated.

- D. The 911 Board did not publish annual financial statements. Section 50.800 and 50.810, RSMo, requires annual financial statements to be published for all county funds. To adequately inform the citizens of the 911's financial activities, the board should publish annual financial statements of the 911 Board Fund.

**WE RECOMMEND** the 911 Board:

- A.1. Work with law enforcement authorities and the Prosecuting Attorney to obtain restitution of the amount misappropriated.
- 2. Ensure checks or money orders are endorsed immediately upon receipt, monies received are promptly recorded in the receipt records, monies are maintained in a secure location prior to deposit, receipts are deposited daily or when accumulated receipts exceed \$100, and details of the receipts records are reconciled to the composition of deposits.

3. Ensure the cash custody and record-keeping functions are segregated where possible. If it is not feasible to segregate duties further, at a minimum, there should be an independent review of the check register and/or bank reconciliations. In addition, supervisory review procedures should be established to review monthly reports and take a more active role in preparation of the 911 Board Fund annual budget, ensuring accuracy of all amounts presented.
- B. Establish policies and procedures to ensure bills are properly reviewed and authorized and bills and other required payments are paid timely. In addition, the 911 Board should ensure that adequate supporting documentation is retained for all payments.
- C. Maintain inventory records of maps, including the number of maps sold or given away and periodically reconcile the number of maps reported on the inventory to the number of maps on hand and the applicable receipts.
- D. Publish annual financial statements of the 911 Board Fund in accordance with state law.

### **AUDITEE'S RESPONSE**

*Members of the 911 Board, the new 911 coordinator, and the attorney for the 911 Board responded as follows:*

- A.1. The case was turned over to the Prosecuting Attorney in July. We will work with the Prosecuting Attorney to obtain restitution of the amount misappropriated.*
- 2. The undeposited interest checks and cash on hand was deposited on July 15, 2003. Interest earned on the CD is now automatically deposited into the checking account. We intend to fully implement the recommendations noted.*
- 3. The 911 Board has initiated procedures to review and approve monthly disbursements and within 60 days will begin reviewing monthly budget to actual reports to ensure accuracy of all amounts presented.*
- B. At the next meeting, the Board will set up a finance committee authorized to pay bills requiring approval prior to the monthly board meetings. In addition, documentation will be maintained to support all expenditures.*
- C. Inventory records are now maintained to account for all maps sold or given away. In addition, a monthly reconciliation is performed to verify the number of maps on hand.*
- D. We will implement this recommendation by publishing the 2003 financial statements.*



7.

**Health Center**

The Health Center did not publish annual financial statements. Section 50.800 and 50.810, RSMo, requires annual financial statements to be published for all county funds. To adequately inform the citizens of the Health Center's financial activities, the board should publish annual financial statements of the Health Center Fund.

**WE RECOMMEND** the Health Center Board publish annual financial statements of the Health Center Fund in accordance with state law.

**AUDITEE'S RESPONSE**

*The Health Center Administrator responded as follows:*

*We will implement this recommendation by publishing the 2003 financial statements.*

## Follow-Up on Prior Audit Findings

SULLIVAN COUNTY, MISSOURI  
FOLLOW-UP ON PRIOR AUDIT FINDINGS

In accordance with *Government Auditing Standards*, this section reports the auditor's follow-up on action taken by Sullivan County, Missouri, on findings in the Management Advisory Report (MAR) of the audit report issued for the two years ended December 31, 1998.

The prior recommendations which have not been implemented, but are considered significant, are repeated in the current MAR. Although the remaining unimplemented recommendations are not repeated, the county should consider implementing those recommendations.

1. Personnel Policies and Procedures

- A. Salaried employees in the Sheriff's Department were not required to submit time sheets.
- B. The county's written personnel policy was not updated to properly reflect required work time policies and did not contain appropriate details regarding holidays, vacation, sick leave, time and leave reporting, payment of overtime or granting and use of compensatory time.
- C. A review of emergency 911 dispatchers' time sheets showed that regardless of the number of days worked dispatchers were paid a full month's salary. Additionally, some dispatchers' time sheets indicated the employee worked more than forty hours in one week, but did not receive compensation at one and one half times the normal rate as required by the Fair Labor Standards Act (FLSA).

Recommendation:

The County Commission:

- A. Require all county employees to complete time sheets which reflect actual time worked. The records should be prepared by employees, approved by the applicable supervisor, and filed in a central location with the county's payroll records.
- B&C. Revise and expand the county's written personnel policies regarding holidays, vacation, sick leave, time reporting, and payment of overtime for all employees to address all relevant issues and ensure that all policies and procedures are applied equitably and in compliance with the FLSA. In addition, the county should ensure it has appropriately paid overtime at the employee's time and one half rate when required under the FLSA.

Status:

- A. Partially implemented. All county employees, except the Prosecuting Attorney's secretary, prepared and submitted applicable time sheets. See MAR finding #3.
- B&C. Partially implemented. Emergency 911 dispatchers are now required to use a time clock and are paid hourly, rather than salaried. In addition, no overtime was noted during our review. However, the county no longer has a written personnel policy. County policies concerning vacation and sick leave are communicated to each employee verbally. See MAR finding number 3.

2. Tax Anticipation Note

- A. Tax anticipation notes issued by the county at the request of the Sullivan County Memorial Hospital (SCMH) Board did not comply with statutory requirements. The county did not ensure the tax anticipation notes were prepared, signed, sealed, bid, advertised, and registered in accordance with statutory provisions.
- B. The tax anticipation note issued in February 1999 and disbursed to the SCMH Board exceeded the maximum issuance allowed by statute.

Recommendation:

The County Commission ensure tax anticipation notes are prepared, signed, sealed, bid, advertised, registered, and issued in accordance with statutory provisions.

Status:

Implemented. During 2001 and 2002, tax anticipation notes were reviewed by the Sullivan County Prosecuting Attorney and issued in accordance with statutory provisions. No tax anticipation note has been needed thus far in 2003 as the Hospital's financial condition has improved. See status of follow-up No. 8.A.

3. Officials' Salaries

At both the 1995 and 1997 meetings, the Salary Commission authorized salaries of elected officeholders to be raised during the term of office for changes in the county's assessed valuation. The Salary Commission had no documentation to show why it used the current assessed valuation factors or the basis it used to make the increases at a time other than the year of incumbency. No written legal opinion was obtained to support the appropriateness of the timing or the amount of the increases.

Recommendation:

The County Commission consult with the Prosecuting Attorney regarding correcting the erroneous salary payments. In addition, the Salary Commission minutes should include the basis upon which any decisions are made and meeting records should always document the calculations and legal opinions for actions taken.

Status:

Implemented. The last salary commission meeting held was in November 1999. At that same time the County received a legal opinion from the Prosecuting Attorney indicating that all prior actions of the Salary Commission were in compliance with laws and regulations of the state.

4. Computer Controls

Access to the computer programs such as the property tax, payroll, and disbursement system were not adequately restricted. User IDs and passwords were not changed periodically to ensure that they remained confidential.

Recommendation:

The County Commission consider establishing improved procedures to restrict access to computer files, through the use of unique IDs and passwords, to only those individuals who need to use the information.

Status:

Partially implemented. The Assessor's office periodically changed their passwords, however, the passwords of employees in the County Clerk's and Treasurer's office have not been changed. Although not repeated in the current report, our recommendation remains as stated above.

5. Consolidated Circuit Court Accounting Controls and Procedures

- A. There was a lack of segregation within each segment of the consolidated court and the Circuit Clerk did not adequately review the work performed and document those reviews.
- B. The Circuit Clerk failed to make monthly distributions of interest earned on the child support bank account from May 1998 through December 1998.
- C. Circuit Civil monies were not deposited timely, open item listings were not prepared during the audit period, an old bank account was not closed, long term outstanding checks were not resolved timely, ledgers or other records of accumulated interest

were not maintained, accrued case costs were not monitored, and old cases were not followed up on a timely basis.

- D. The Circuit Criminal segment was holding five checks, totaling over \$17,000. These checks had not been receipted nor deposited.
- E.1. The Circuit Clerk had not closed an old bank account, had not required a summary open items (liability) listing to be prepared and fully reconciled to the accounting records, and did not timely resolve unidentified monies.
- 2. The November and December 1997 disbursements to the Department of Revenue (DOR) were not submitted in three separate checks as required. In addition, it took the deputy clerk three months to reissue the payments correctly and eight months to fully correct the accounting records.
- 3. A part time clerk incorrectly disbursed \$500 to the Prosecuting Attorney and had not corrected the accounting records of the court nor had she paid a corrected amount to the prosecutor. In addition, the clerk was unable to locate the check returned by the prosecutor.

Recommendation:

The Circuit Clerk take a much more proactive approach in looking for and resolving problems as they occur since delays in addressing and correcting problems often create additional and costly problems and increase the difficulty with which problems are resolved. In addition, we recommend the Circuit Clerk:

- A. Perform periodic documented reviews, and ensure timely and accurate preparation of the case and accounting records, monthly reports of distributions, open items listings, and bank reconciliations for all areas of the court.
- B. Disburse the child support, IV-D interest to the state on a timely basis.
- C. Ensure the Circuit Civil court case records, accounting records, and monthly reports including open items listings and receivables listings are prepared and maintained on a timely basis.
- D. Ensure all Circuit Civil court monies received are immediately recorded and deposited timely and intact.
- E.1. Ensure, within the Traffic and Municipal area of the court, old bank accounts are closed timely, open items listings are prepared and fully reconciled, and any unidentified monies are investigated and distributed timely.

2. Ensure distributions paid to the DOR are made as required, bank reconciliations are properly prepared, and errors in the accounting records are corrected promptly.
3. Ensure errors in disbursements are corrected promptly.

Status:

- A, C,  
D&E. Implemented. Upon implementation of the Justice Information System in May 2002 internal controls and record keeping functions significantly improved.
- B. Child Support collections were turned over to the state's centralized collection agency in November 2000. The court no longer maintains a Child Support bank account.

6. Sheriff's Accounting Controls and Procedures

- A. The duties of receipting, recording, depositing, disbursing, and preparation of monthly reports and bank reconciliations were performed primarily by one deputy. The Sheriff did not perform supervisory reviews of the deputy's work.
- B. Deposits were not always made daily or when amounts on hand exceeded \$100 and receipts were not always deposited intact.
- C. Receivable records for unpaid fees did not indicate which agency was to collect the fee for the Sheriff.

Recommendation:

The Sheriff:

- A. Perform and document periodic reviews of the deputy's work including the accounting records, monthly reports, and bank reconciliations.
- B. Ensure deposits are made daily or when receipts on hand exceed \$100. In addition, the Sheriff should ensure receipts are deposited intact.
- C. The Sheriff should maintain a complete fees receivables listing, periodically review the list and follow up on past due amounts.

Status:

- A. Implemented. The Sheriff periodically performs a documented review of the bank statements, cancelled checks, bank reconciliations, and/or fee log sheet.

- B. Partially implemented. Receipts were usually deposited within a day or two of receipt. However, we noted \$40 was received on September 12, 2002 and not deposited until September 30, 2002, although a deposit was made on September 25, 2002. Although not repeated in the current report, our recommendation remains as stated above.
- C. The Sheriff's office does not prepare billings for amounts due from third parties. All amounts due the Sullivan County Sheriff's office are collected by the Sullivan County courts based on documentation obtained from the sheriff's department.

7. Sullivan County 911 Board

- A. The Sullivan County 911 Board was appointed by the Sullivan County Commission. Per statute, the appointed board was to serve only until a successor board could be elected in the next general election. However, the 911 Board failed to call for the election of the successor board at the general election in November 1998.
- B. The 911 Board did not enter into written contracts with the county or the fire and ambulance districts and cities which received 911 services.
- C. The 911 Board failed to formally establish the annual local sales tax rate for the subsequent year and publish the rate in the minutes as required by statute.

Recommendation:

The Sullivan County 911 Board and Sullivan County Commission:

- A. Call for the election of 911 board officials at the next general election.
- B. Enter into written contracts with the county, ambulance and fire districts and cities which will receive 911 services.
- C. Establish and publish the tax rate in the minutes as required.

Status:

- A. Implemented. The current 911 Board members were elected in 2002.
- B. Partially implemented. A written contract has been established between Sullivan County and the 911 Board. However, written contracts have not been established between the 911 Board and other entities that receive 911 services. Because the 911 Board does not bill these other entities for services, this recommendation was not repeated in the current report.



- C. Based on a legal opinion from Sullivan County's attorney, the 911 local sales tax was enacted pursuant to Section 67.547, RSMo. Therefore, it has not been published in the 911 Board minutes.

8. Hospital Financial Condition and Procedures

- A. The hospital operated with a deficit fund balance and reported annual net losses for fiscal years ending June 30, 1997 and 1998. In addition, an independent certified public accounting (CPA) firm report issued for the two years ended June 30, 1997, indicated "factors raise substantial doubt about Sullivan County Memorial Hospital's ability to continue as a going concern."
- B. The hospital had failed for several months in 1997 and 1998 to submit applicable income tax withholdings to the Internal Revenue Service (IRS) as well as withholdings and employer matches for Social Security. A payment of \$185,000 was made to the IRS in February of 1999 and the hospital was attempting to negotiate a settlement of this debt with the IRS.

Recommendation:

The Sullivan County Memorial Hospital Board of Trustees:

- A. Continue to seek additional revenue sources and continue to reduce operating costs.
- B. Continue efforts to fully resolve the liability to the IRS, closely monitor monthly financial reports, and ensure such problems do not occur in the future.

Status:

- A. Implemented. The County established a sales tax for the Hospital for capital improvements in 2000 and the Hospital changed their medicare reimbursement methodology to "critical access funding". This increase in funding and decrease in expenditures has stabilized the Hospital's financial condition. As a result, the CPA firm lifted the "going concern" qualification from the audit report issued for the year ended October 31, 2002.
- B. Implemented. In coordination with the IRS, the Hospital established an 18 month payment schedule and resolved this liability in November 2002. No additional liabilities have been incurred.

## STATISTICAL SECTION

History, Organization, and  
Statistical Information

SULLIVAN COUNTY, MISSOURI  
HISTORY, ORGANIZATION,  
AND STATISTICAL INFORMATION

Organized in 1845, the county of Sullivan was named after John J. Sullivan, a General in the Revolutionary War. Sullivan County is a township-organized, third-class county and is part of the 9th Judicial Circuit. The county seat is Milan.

Sullivan County's government is composed of a three-member county commission and separate elected officials performing various tasks. The county commission has mainly administrative duties in setting tax levies, appropriating county funds, appointing board members and trustees of special services, accounting for county property, maintaining approximately 162 county bridges, and performing miscellaneous duties not handled by other county officials.

Principal functions of these other officials relate to judicial courts, law enforcement, property assessment, property tax collections, conduct of elections, and maintenance of financial and other records important to the county's citizens. The townships maintain approximately 549 miles of county roads.

The county's population was 7,434 in 1980 and 7,219 in 2000. The following chart shows the county's change in assessed valuation since 1980:

	Year Ended December 31,					
	2002	2001	2000	1999	1985*	1980**
	(in millions)					
Real estate	\$ 39.3	38.6	38.0	36.8	21.4	15.1
Personal property	21.8	21.0	20.4	17.5	7.6	6.8
Railroad and utilities	5.1	5.6	5.6	5.6	3.2	2.6
Total	\$ 66.2	65.2	64.0	59.9	32.2	24.5

\* First year of statewide reassessment.

\*\* Prior to 1985, separate assessments were made for merchants' and manufacturers' property. These amounts are included in real estate.

Sullivan County's property tax rates per \$100 of assessed valuations were as follows:

	Year Ended December 31,			
	2002	2001	2000	1999
General Revenue Fund	\$ .2300	.2200	.2100	.2600
Special Road and Bridge Fund*				
Health Center Fund	.2504	.1000	.1000	.1000
Hospital Fund	.4300	.4300	.4300	.4300

\* The county retains \$.05 per \$100 assessed valuation from each township's road and bridge levy and the township's voter approved additional levy to use for road and bridge purposes.

Property taxes attach as an enforceable lien on property as of January 1. Taxes are levied on September 1 and payable by December 31. Taxes paid after December 31 are subject to penalties. The county and townships bill and collect property taxes for themselves and most other local governments. Taxes collected were distributed as follows:

	Year Ended February 28 (29),			
	2003	2002	2001	2000
\$				
State of Missouri	20,133	19,750	19,313	18,350
General Revenue Fund	155,239	146,517	138,799	157,169
Special Road and Bridge Fund	369,624	356,211	356,810	333,774
Assessment Fund	45,677	42,506	40,662	39,739
Health Center Fund	158,778	65,066	63,505	60,381
School districts	2,482,765	2,400,768	2,364,972	2,216,370
Library district	66,363	65,066	63,505	60,381
Ambulance district	318,836	191,434	186,768	177,435
Fire protection districts	36,020	35,887	35,722	35,270
Special road districts	41,974	43,028	40,166	37,834
Drainage districts	53,032	51,692	52,958	44,603
Townships	69,281	68,015	66,418	63,504
Hospital	282,360	276,897	270,216	256,803
Cities	18,051	22,268	21,117	21,686
County Clerk	109	99	96	109
County Employees' Retirement	16,705	15,730	14,991	14,883
Tax Maintenance Fund	2,924	0	0	0
Commissions and fees:				
General Revenue Fund	32,700	30,487	29,163	29,213
CART Fund	33,307	32,766	32,053	30,291
Township Collectors	37,446	35,394	34,166	33,448
Total	\$ 4,241,324	3,899,581	3,831,400	3,631,243

Percentages of current taxes collected were as follows:

	Year Ended February 28 (29),			
	2003	2002	2001	2000
Real estate	94.3	95.0	95.5	95.5 %
Personal property	93.5	92.8	93.6	94.4
Railroad and utilities	100.0	100.0	100.0	100.0

Sullivan County also has the following sales taxes; rates are per \$1 of retail sales:

	Rate	Expiration Date	Required Property Tax Reduction	
General	\$ .0050	None	50	%
General	.0050	None	None	
911 Emergency Service	.0050	None	None	
Hospital	.0050	2005	None	

The elected officials and their compensation paid for the year ended December 31 (except as noted) are indicated below.

Officeholder	2003	2002	2001	2000	1999
County-Paid Officials:					
Chris May, Presiding Commissioner	\$	24,440	24,440	24,440	24,440
James Howard, Associate Commissioner		22,440	22,440	22,440	22,440
Lowell Tucker, Associate Commissioner		22,440	22,440	22,440	22,440
Michael Hepler, County Clerk		34,000	34,000	34,000	34,000
James Spencer, Prosecuting Attorney		41,000	41,000	41,000	41,000
William Hayes, Sheriff		39,000	39,000	27,125	27,125
Dale Essmeyer, County Coroner		9,500	9,500	3,490	3,490
Rhonda Frazier, Public Administrator (1)		25,000	25,000	11,784	12,427
Deborah Schnelle, Treasurer and Ex Officio County Collector, year ended March 31,	34,000	34,000	23,680	23,680	
Gary Hostetter, County Assessor (2), year ended August 31,		34,900	34,900	34,900	34,900

(1) Includes fees received from probate cases.

(2) Includes \$900 annual compensation received from the state.

State-Paid Officials:

John Morehead, Circuit Clerk and Ex Officio Recorder of Deeds	47,300	47,300	46,127	44,292
Jeffrey Sayre, Associate Circuit Judge	96,000	96,000	97,382	87,235